Center for Strategic and International Studies

The Trade Guys Podcast

“Episode 26”

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Transcript By
Superior Transcriptions LLC
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SCOTT MILLER: I’m Scott.

WILLIAM ALAN REINSCH: I’m Bill.

MR. MILLER and MR. REINSCH: (Together.) And we’re The Trade Guys.

(Music plays.)

H. ANDREW SCHWARTZ: You’re listening to The Trade Guys, a podcast produced by CSIS, where we talk about trade in terms that everyone can understand. I’m H. Andrew Schwartz. And I’m here with Scott Miller and Bill Reinsch, the CSIS Trade Guys.

In this episode, The Trade Guys welcome a live studio audience made up of the World Affairs Council of America. On the agenda: the midterm elections and how the new Democratic majority in the House might affect the dynamics of trade policy. During the live sessions, The Trade Guys also discussed tariffs, the USMCA, and more. I was away last week during this live recording, so my colleague Jack stepped in. He’s the guest host of this episode of The Trade Guys.

JACK CAPORAL: I am Jack Caporal, filling in this week for Andrew Schwartz. He usually hosts the podcast. And we’re live this week recording here at CSIS in front of a group from the World Affairs Councils of America. There are over 90 Councils across the U.S. and we’re happy to have you all here, so welcome to CSIS.

Obviously, the news of the day is the midterm election. Democrats picked up over 30 seats in the House at a current count.

MR. REINSCH: Yes. Victory.

MR. CAPORAL: (Laughs.) So that gives them control of the House, it ends one-party rule in Washington, and trade is set to quickly become a hot issue. There will likely be a vote or consideration of the USMCA deal, the NAFTA replacement, in the first half of the year. And there are simmering issues kind of on the backburner: steel and metal tariffs – or steel and aluminum tariffs, potential auto tariffs, the trade war with China. So what should Democrats be doing now that they have control of the House? Should they be working to find a way to compromise with the administration? Or should they simply become the party of no, resist the administration at every turn, and look to 2020?

MR. MILLER: Well, maybe if we could let’s step back. And if you look at it, one of the things we can say about the election of 2018 is if you were looking for a referendum, a clear outcome, you didn’t get it. What you got was basically – it was like my daughter’s preschool field day; everybody got a ribbon, right? (Laughter.)

So you have – you have a Senate which was Republican going in, a narrow Republican majority going in. Probably the most favorable map for a Senate election, Senate Republicans, in at least a decade. And they picked up two or three seats. We’ll see; there are a couple that are still yet to be decided. But they maintained their majority.

And, as you mentioned, the House switched hands from a 23-seat Republican majority to what appears to be about a majority somewhere in the teens for Democrats. They have 36 or 37 seats so far.
And roughly speaking, that’s a 11- or 12-seat majority, which is interesting. It’s a majority, which is important. Second is, at best I could tell, it’s the smallest majority in the House since 1945.

Both parties will need to play as teams to get things done, both the Republicans in the Senate and Democrats in the House. But that’s at least one take.

It wasn’t as comparable to, say, the 1994 wave election or the 2010 wave election that some expected; actually, more like Reagan’s first midterm in 1982. Republicans entered with 54 seats, and following the election had 54 seats; Democrats picked up, believe it or not, 37 seats in the House. They already had the House majority; they got a much larger majority after that first midterm. So for the sake of comparison, that’s kind of the – that’s the – that’s what January’s going to look like in the Congress.

MR. REINSCH: On trade, it seems to be kind of a wash. I don’t think the message – (laughs) – everybody got a ribbon.

There are a couple cases where people ran against the president’s trade policy – Senator Heitkamp in North Dakota was probably the best example, and she lost running against the president even though the farmers in North Dakota have been hard hit by the retaliatory tariffs from not only China, but also Canada in their case, and Mexico. Major soybean farmers there among – and corn, and they’re hurting, but they stuck with the president and voted for the Republican.

In the same direction but in a different context, the one – I think the only one – seat that flipped from Democrat to Republican in the country was in northeastern Minnesota, the Iron Range country – Duluth, Hibbing; maybe one of you is from there, wonderful place. I say that having not – not having been there in a very long time, but it was wonderful when I was there. Anyway, that flipped from a – a Democrat retired and a Republican won the seat. Steel tariffs are popular in the Iron Range, for obvious reasons.

Similarly, a Republican congressman in Illinois, southern Illinois, who had been under fire, expected to not do well, Mike Bost, won, and I think he won in part because he represents among other places Granite City, Illinois, where a steel mill reopened as a result of the tariffs. So there you’ve got cases where the president’s trade policy, in a way, was affirmed.

Sherrod Brown won in Ohio. I think he was going to win anyway, but he clearly has been a proponent of a trade policy that I think is certainly closer to the president’s than the opposite.

There were a number of Democrats who did very well in Pennsylvania. I think that probably had more to do with the court-ordered sensible districts rather than the gerrymandered districts that had existed before, more so than issues.

But there were opposite indications as well. There were two Republican seats in Iowa that flipped to Democratic and one in Kansas that did the same; and one in Oklahoma, although I’m not so sure that that was a trade-related issue. It’s hard, I think, not to conclude that in the case of Kansas and Iowa – in the case of Kansas, also the governorship changing – that trade didn’t have something to do with it. I think the Republican candidate for governor of Kansas had a lot of other baggage.
MR. MILLER: Well, and the Democratic candidate was endorsed by all living Republican former governors of Kansas – (laughs) – so it was an odd kind of intraparty squabble that spilled into the general election.

MR. REINSCH: Still, I think that you can find pockets where – you know, where trade played a role. But if you look at the country as a whole, these are isolated cases. You know, you’ve got North Dakota. They’re all sort of in the middle, actually.

MR. MILLER: Yes.

MR. REINSCH: If you look at the edges of the country, pro-trade people in California, Oregon, Washington of both parties did pretty well.

MR. MILLER: Right.

MR. REINSCH: Pro-trade people on the East Coast did pretty well. Anti-trade people in the – in the Rust Belt of both parties did pretty well, same as always.

MR. MILLER: Right. Usually the House is – because each – there’s 435 races every election. And because House races each have their own local issues/idiosyncrasies, it’s hard to draw big, sweeping conclusions. Now, look, the Pennsylvania redistricting and the 41 Republican retirements, leaving a lot of open-seat races, were probably the main effects. But beyond that, it’s really hard – it’s hard to read too much into it. And once again, the numbers – the swing in – between the Republicans to Democrats is certainly well within the typical for a midterm – president’s first midterm, so.

MR. REINSCH: Now, I would also say, looking ahead, the people that are coming in I don’t think indicate a huge wave change either. One of the things that we did is to look at the incoming Democrats to see what they have said about trade. I mean, all you can go on – they haven’t voted for anything because they’re not incumbents, so all you can go on is their public statements. And I know there was one news story that came out about the number of pro-trade Republicans who are leaving, either because of retirement or defeat. I mean, most Republican members of Congress have been pro-trade, so nobody should be surprised that the ones that are leaving are in that category. But if you look at the ones that are coming in – we looked at 32 of them thanks to Nadir, our trusty intern, who went through this – and 17 of them, of the 32, are on record making pro-trade, pro-trade agreement statements. Four went in the other direction and reflected skepticism about trade. And 11 had very little to say about it, or at least nothing that we can find so far. We’ll keep digging. But what that suggests, at least, is that you’re not getting a hard wave of anti-trade people coming into the Congress. In fact, you’re getting a wave of people that are certainly open to trade and trade agreements.

Now, that doesn’t allow me to make a prediction about USMCA. I mean, I’ll make one anyway, but that – this particular result doesn’t allow that. But I think you’re at least getting a crop that’s openminded.

MR. MILLER: Well, to that point, you know, I think this is a good opportunity for a reset on trade in the Congress. If you look at the Congress as a whole as of January 3rd, 2019, two-thirds of the whole Congress will have been elected since 2010. So they first arrived in the Congress –

MR. REINSCH: So practically nobody’s voted on a trade agreement.
MR. MILLER: That’s it. That’s two-thirds of the Congress has at most voted on the three FTAs in 2011 – Peru, Colombia, and Panama – and Trade Promotion Authority in 2015. Those are the only four votes. So two-thirds of the Congress might as well be a blank slate on the issue. And so that’s really, for me, the opportunity for – from an advocacy standpoint, but it also – it shows there may be an open mind, maybe a moment for a reset. We’ll see.

MR. CAPORAL: So if there’s a clean slate for members and the mood on trade in the Congress is a little bit a wash, you know, let’s fast forward to January. Assume the likely candidates for speaker and majority leader have won control of their parties. You know, if you’re Nancy Pelosi or Kevin McCarthy, what are you telling your members with a – with a trade – with a vote on a trade agreement coming up, you know, by the middle of the year?

MR. MILLER: Well, I think the most important starting point is when is trade going to be on the congressional agenda. And for Speaker Pelosi and her team, the answer may be, well, not now and –

MR. REINSCH: Later. Later. (Laughs.)

MR. MILLER: – way later, maybe never.

MR. CAPORAL: So why is that? Why is that? Because there is the – you know, the USMCA is done.

MR. REINSCH: Because it’s complicated.

MR. CAPORAL: Right.

MR. MILLER: But it’s – well, not done-done, OK? And Congress doesn’t really deal with it until an implementing bill is sent, for a lot of reasons. But at least the opening agenda. But the key part is, like any – keep in mind, small majority. Number of seats in the majority is in the teens. What you want are issues that, A, are important to your party; and, B, unify your party, that hold your party together. So that’s where the speaker’s agenda will be driven. Trade is just not one of those issues. It’s complicated. It has always – it has long been divisive. You can go back – well, I guess NAFTA there were 100 Democrats who wound up voting against President Bill Clinton and a Democratic House majority voting on it.

MR. REINSCH: It’s been divisive for a long time. And I think what we’ll probably discover is that – two things.

First of all, just as – just as the Republicans have had a Tea Party or a Freedom Caucus problem of a – of a far-right minority which – with enough votes to block what the Republican leadership has wanted to do, I think that the Democrats are going to have a far-left problem as well. They’re going to have, I would expect, a progressive caucus – it will have some nice name – that will continually try to push the party in that direction. And with a majority of, you know, a dozen or so – the projected count that I saw was it may end up 230 to 205, so that’s probably the best the Democrats can do. So that would be 15; I mean, it probably will be a little bit less than that. With that kind of – with that kind of a narrow majority, you know, if you get 25 people together that say we’re all going to vote against you, that makes a difference.
MR. MILLER: This is how the farm bill died last fall, OK, is there were – there were 25 Republicans who were opposed and no Democrats decided to get in the way of – get in the way of the Republican Party failing in the House, so. (Laughs.)

MR. REINSCH: But political science rant here. This is partly because the parties have fallen into the habit of running the body the wrong way. Up until Gingrich, really – and he deserves the blame for most of this, in my view – there was a tendency to try to run the institution, meaning the House in particular, from the center. The leaders would get – work together. They would try to develop compromises. And implicitly, each party would throw their loons over the – over the side, and the organization would operate from the center, and you’d get – pass a lot of things with 250 to 350 votes. Gingrich really, I think, believes intellectually in more of a parliamentary system and believes in party control, which led ultimately to what was called the Hastert rule when Denny Hastert was the speaker, which was they would only bring to the floor things that had the support of a majority of the majority party. What that then does, first of all, is it assigns the minority party to oblivion. And it makes the majority party hostage to dissident elements of its – of its own caucus –

MR. MILLER: Sure.

MR. REINSCH: – which has paralyzed decision-making.

The Democrats, to their discredit, continued that same philosophy in the years when they were in, in the first part of Obama’s term. And my guess is that if Pelosi is the speaker they’ll try to do it the same way, which is exactly the same way that the Republicans have been running the House: try to run it just with your party. If you try to run it just with your party, and with a narrow majority, you become hostage to the fringe.

MR. MILLER: Right.

MR. REINSCH: And that’s why we’re going to have problems.

Now, going back to Jack’s question, if I can just go one further rant, the Democrats appear so far to have made exactly the same decision about Trump that the Republicans made about Obama, which is to oppose everything without regard to merit, without making distinctions. Occasionally, you work together because you don’t want the government to shut down, you need to appropriate. There might be a national emergency, you know, or a crisis, 9/11 being a classic example. But for the most part we’re going to be against everything he wants because we don’t like him. It’s exactly what the Republicans did about Obama and it was a very effective strategy, thinking back. It was effective politically and it was effective legislatively in terms of blocking things. That’s what I would expect to have happen. I would expect the Democrats to out of the box oppose any Trump initiative, including USMCA.

Now, they have to be careful because – go back to the 17 people that got elected – the Democratic base is divided. If you look at poll data, most of the Democrats are pro-trade. In fact, they’re more pro-trade these days than Republicans are because Republicans have been following Trump’s lead. However, there is this significant piece of the Democratic Party – organized labor – that is not; and not only is not pro-trade, it’s their number-one item.

MR. MILLER: Right.
MR. REINSCH: And if they end up opposing the new NAFTA, USMCA – which they have not yet, but if they end up opposing it – that puts the Democrats in a very difficult position with their base divided and with their membership in the body divided. My guess is what they will do is say to the president: Not good enough.

MR. CAPORAL: When he sends the bill.

MR. REINSCH: When he sends the bill. Well, even before he sends the bill up because you can’t – once he sends the bill up the bill cannot be changed. So the bargaining, if there’s going to be any bargaining, has to take place before he sends the bill up, which means January/February for the most part. So they say not good enough, and they’re going to say not good enough on labor because that’s the way they check that box.

MR. CAPORAL: So what do you – sorry, what do you mean by that for people who don’t know, not good enough on labor?

MR. REINSCH: One of the things that the AFL-CIO has demanded consistently for 25 years going back to NAFTA has been stronger protections on worker rights.

MR. CAPORAL: In trade agreements.

MR. REINSCH: In trade agreement. Insistence that the other – the other countries, whoever they are – and in this case we’re talking about Mexico – develop more stricter adherence to international labor standards, which are codified in the ILO, that they accept more of those standards, and that their failure to do so be enforceable via trade actions that are written into the trade agreement. In NAFTA one of the complaints from labor was that they were side letters. They weren’t part of the body of the agreement. Now, that has been fixed, but not yet to organized labor’s satisfaction. So –

MR. MILLER: I think there’s still the incentive to say not good enough for the – for the – for the reasons of we need to get our act together.

Just a coda to Bill’s rant –

MR. REINSCH: Yeah. Sorry.

MR. MILLER: – which is that I think he’s absolutely right about the lack of a preference to run the House from the center. I believe that, personalities aside, the House was run by the – from the center for many years because of political stability. Keep in mind Democrats were the majority from 1954 to 1994, all right – ’55 to ’94, I should say – and that period of political stability in majorities led to the habits of running from the center. Now that the House flips pretty regularly, the incentives switch and members – I mean, I agree with everything Bill said about Newt Gingrich and his philosophy. But from a practical standpoint, if you think you can be in charge in two years there’s no incentive to cooperate.

MR. CAPORAL: Right. So let’s distill and wrap up USMCA. I mean, what percent chance do you think there is that we’ll have USMCA approved by Congress by this time next year?

MR. REINSCH: Oh, I think it’s pretty high. I mean, I would say, eh, 70, 75 percent.
The scenario that I see is the Democrats will do two things. I mean, their instinct will be to oppose, for the reasons I said. But they don’t want—you know, keep in mind that what the president will probably do at some point is announce his decision to—his intention to withdraw from current NAFTA, which in a way makes sense; if you’re going to have a new one, you need to get rid of the old one. But that’s why he’s doing it. He’ll do it to put—

MR. MILLER: He’ll do it for leverage.

MR. REINSCH: He’ll do it for leverage, to pressure the Congress, to say: Vote for my NAFTA or else you’re going to have nothing. And I think the reality is neither party wants to be blamed for having nothing. The consistent message from virtually everybody in the policy community, except organized labor, has been: The worst of all possible outcomes here would be no agreement. You know, you can argue about whether the USMCA is better than NAFTA or worse than NAFTA. But I think everybody will tell you that the worst thing is neither. And I don’t think either party wants to take the blame for that happening.

At the same time, the Democrats are not going to be able to resist the temptation to hold it hostage for two reasons. They’re going to hold it hostage for improved labor provisions. And they’re going to hold it hostage for something else, because this is what the party—when you have the party that’s not in the White House controlling part of the Congress, this is what they always do. When a must bill comes up that the president wants the immediate thought is, aha, what can we get for this? And what you will see is an interesting public debate amongst Democrats over: What is the ransom?

MR. MILLER: Yes. Which hostage should we take? (Laughs.)

MR. REINSCH: Which hostage should we take. Are we going to say, don’t build the wall? A new immigration bill? An infrastructure bill? Tax reform?

MR. MILLER: Who knows?

MR. REINSCH: It won’t be trade. I mean, there will be trade demand, but there will be something else. And the danger always is that they overplay their hand and create a situation in which the president calls their bluff and then puts them in the position of either throwing the whole thing under the bus and taking the blame or folding. So there’s an art here to make your ransom demand big enough to get what you want and not so big that you blow the whole thing.

MR. MILLER: So what you have is a—is a predictable set of tactics in the House, a Republican and pro-trade Senate, and a deal-maker president. That says to me they get to yes at some point.

MR. REINSCH: And the Senate, for the—for the non-trade demands—the Senate’s going to have to sign off.

MR. MILLER: Right. Right.

MR. REINSCH: I mean, if you’re going to have a new infrastructure bill the House can’t do that by itself. So I think you’re going to have kind of a protracted period of bargaining. Note, under the law there’s no clock that runs from the time of signing this agreement—which I guess now is scheduled for November 29th or 30th in Buenos Aires.
MR. MILLER: Yes. Buenos Aires, yeah.

MR. REINSCH: From that point, there’s a clock that dictates when that can be signed. But after that, the president can submit the bill more or less whenever he wants. There are some things that are supposed to happen that take a maximum of 105 days. He can ignore that. That would be a mistake, but he can ignore it. But what that sort of means is that effectively from the beginning of December through, ironically, the Ides of March, you have kind of a bargaining window in which all this is going to go on because once the bill is submitted, it cannot be changed, and it has to be voted on.

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MR. CAPORAL: Right. And you’re referring to rules that are laid out in the 2015 trade promotion authority bill, in which Congress basically delegated negotiating authority to the president in exchange for guidelines in terms of how – you know, what the president has to negotiate and how the legislation can be introduced and considered.

MR. REINSCH: Yes. Now, they can change the rules, which is what Pelosi did in 2008 – because one of the little footnotes in all this is people think this is the law. Well, it isn’t exactly the law. It is built into House rules and Senate rules. And the only people that can change the House rules is the House. And the Senate has nothing to say about it and the Senate has nothing to say about it. So if the speaker of the House wants to bring in a resolution to change the rules of the House to say they don’t have to vote on it, for example, or to allow amendments, she can do that. And if she’s got the votes, as she did in 2008, that’s the end of that. Too soon to predict that.

MR. MILLER: Right. Exactly. So fortunately we no longer call it fast track, because it certainly isn’t fast. Keep in mind the U.S.-Korea free trade agreement was signed by President Bush in 2007. And the implementing bill was actually presented to the Congress in the fall of 2011, OK? So there’s nothing fast about that. Now, the clock started again in 2011. But we were basically living in suspended animation in terms of that particular agreement for four years.

MR. CAPORAL: So complicated, but eventually will get done, is what I’m hearing.

MR. REINSCH: I think it gets done, because I think both parties are going to want to do it. I mean, people are always going to complain around the edges. And there’s somebody – people always don’t like something. And one of the things – one of the phenomena that will occur is that if the Democrats tell the administration, go back and get more on labor, other people are going to try to climb aboard that train. So you can expect the Chamber of Commerce to come in and say: Well, the investment provisions – you got rid of ISDS for Canada. Go back and fix that.

MR. MILLER: Right. The layer we haven’t talked about in this process, we talked about the elected officials here. But there’s also a layer of advocates, OK, because ultimately passing a trade bill is a bottom-up, grassroots process that leads to 2018 and 51 votes. OK, and within the – and so the advocates will all be heard from. As long as – as long as we’re going back and having a do-over, we want this do-over and that one. And so it becomes quite fascinating.

MR. REINSCH: Yes. The dairy farmers will figure out they didn’t get as much as they wanted. The generic pharma people will be unhappy with the biological drug provisions. People that are interested in investment will be unhappy with the sunset compromise. There’s a lot of little things, and they not necessarily will be Congress’s price, but the lobbyists will be all over this.
MR. MILLER: Sure. The retailers don’t like – the small business people don’t like the footnote on de minimis, these kinds of things. So there’s – everybody’s got a gripe. And they’ll all be heard as we reopen it. It’ll be fun. (Laughs.)

MR. CAPORAL: So other than legislating, obviously, which Congress will have to do when it comes to USMCA, the House under new Democratic control can conduct oversight, right? And so do you expect the Ways and Means Committee basically to drag administration officials up to the Hill before the committee to testify on other parts of the administration’s trade agenda? And here, I’m referring to the steel and aluminum tariffs, potential auto tariffs –

MR. REINSCH: Yes.

MR. MILLER: I certainly hope so, because –

MR. CAPORAL: Well, but what do they hope to get out of that type of –

MR. MILLER: Well, here’s the thing –

MR. REINSCH: Drama. It’s great.

MR. MILLER: Well, there may be some facts once in a while, but the drama will be spectacular. We’ll have stuff to talk about on The Trade Guys. That’s the most important part. (Laughter.) Because I always look at, what’s in this for me? So we’ll have things to talk about.

But more importantly, for the last two years because the Republicans had their president in the White House, they wanted to work on things where there was agreement with the White House and avoid discussing things where there was differences – where there were differences, right? For me, that was the interesting moment. So you’ll remember all the complaints about trade from Republicans – pro-trade Republicans were talked about back in the kitchen, out of sight, they never brought it out in the parlor and discussed it with company, so to speak. So.

MR. CAPORAL: Right. They didn’t bring an administration official up to answer those questions unless they absolutely had to for something like a budget hearing, right?

MR. REINSCH: And the Democratic approach was – because it’s hard for the Democrats to have a trade policy of their own because they’re divided. Their approach was always to complain about process fouls. You’re not consulting enough. You’re not transparent enough. You’re not meeting with the public enough.

MR. MILLER: You didn’t observe this deadline or that deadline, yeah.

MR. REINSCH: Yeah. You missed these – you didn’t – you didn’t do it right.

MR. CAPORAL: They’re avoiding the substance, right?

MR. REINSCH: It allows them – yes. They don’t have to say: Your policy’s wrong. They can say your implementation is terrible. But having set that table, now that they have control over one of the bodies and can set the agenda, it’s ideal for them to go further down that road and call people up
and say: Well, we want more consultation. We want more meetings. We want more hearings. And that’s exactly what they’re going to get.

MR. CAPORAL: Do you think that will extract anything from the administration? I mean, they don’t – the U.S. Trade Representative Robert Lighthizer seems like the kind of person who probably wouldn’t mind, you know, getting pushed around by the Congress a little bit. I don’t think that will change his behavior.

MR. MILLER: Well, look, Ambassador Lighthizer’s a professional. He’s been at this for years. He knows the system well. He was – he was –

MR. REINSCH: He worked up there.

MR. MILLER: He worked there. He was trade counsel of the Senate Finance Committee when Senator Dole was the chairman. He knows this inside and out. So I’m sure he’s expecting it. He’ll conduct himself professionally, as he always does. And he may look for the opportunity to build support for his initiatives. In fact, if I were in his situation, what I would be doing is thinking here, well, yeah, look, I’m going to have a lot more testimony to prepare. That’s the downside. The upside is, I can build support, OK, in how I manage this. And I think he’ll very actively try to do that.

MR. CAPORAL: So that’s a good point, Scott, because it’s tough – it seems to me that it will be tough for Democrats to, you know, carry out this type of oversight when the party is divided on some of these issues. There are members who probably are in support of more active use of tariffs to protect certain industries.

MR. MILLER: Well, here’s the thing. Here’s the irony in all this. OK, take the – take the personalities out of this and look at the substance of the – say, the automotive section of the USMCA, where there are very high content requirements in terms of U.S. or NAFTA content, or North American content. There are – we got wage rates increased in Mexico. There’s a lot of intervention in these policies. And if you’re the typical Democrat, you look at that and, you know, separate the personalities. You look at that and say: Hey, I wish I’d have thought of that. (Laughter.) That looks like a great idea, right? And it actually does. Now, the question is, when you put the names back on it and the party affiliations back on it, what happens? And this is going to be very – I’m fascinated to see how it plays out.

MR. REINSCH: My instinct is that the Democratic Party is evolving on this. That in a way both parties are going back, maybe not the whole way, but are drifting back to their historic positions. I mean, the Republicans actually from Lincoln, who was a major protectionist. People don’t think about that because they know him from other things. But from Lincoln on, the Republicans were the party of high tariffs and protection. They represented northern manufacturers who didn’t want the competition from England, for the most part. And the Democrats, dating back to the – to Jefferson, really, were the low-tariff, free-trade party, because they represented southern agriculture interests that wanted to export and didn’t want to face high tariffs overseas.

And if you look at the history of tariffs, you know, the two periods in our history recently when tariffs were low was when Woodrow Wilson was president, and he lowered all the tariffs, and when FDR came in. And when FDR came in, he changed things up until now permanently. The parties began to switch their positions in the ’60s as companies became more international and became more interested in exporting and in trade. The Republican Party drifted in the pro-trade direction. And as
more and more jobs, beginning with textiles and apparel and then steel and other things became at risk because trade became—imports became a bigger part of the economy, the Democrats drifted in the other direction.

I have a sense now that this is beginning to go in the other direction, that as the parties become – as the Republican Party becomes more rural and more and more old –

MR. MILLER: Old and rooted in the tangible economy in the middle of the country – energy, construction, manufacturing, agriculture, are the core factors.

MR. REINSCH: There’s been a – if you look at poll data, there’s this huge bump in negative sentiment about trade on the Republican side. To the extent the Democrats become increasing the party of younger people, the party of minorities, those are consistently the two groups that show the greatest support for trade in the population. And as they become increasingly the parties of the coasts, coasts are always much more pro-trade, because that’s where stuff leaves and comes in. And there’s a lot of jobs there that are associated with trade. So I think – how this is 20 years. This is not the next three elections. But I think you’re going to see a drift back towards the traditional positions of both parties.

MR. CAPORAL: Well, this kind of represents a larger challenge for Democrats, right, which is if the members want to catch up to their constituents, they have to adopt more – yeah, they have to adopt a more trade-friendly stance, but doing so risks labor support, which is surely necessary.

MR. REINSCH: Not in the short run. Not in the short run. And that’s the interesting thing about this. I teach a class. And yesterday’s class was this. And the other footnote to all this, you got all this data that demonstrates what we’ve just been talking about. Bu then if you ask a different question, which is not what do you think about trade – and people have opinions about that – but if you ask them what are the three biggest problems the country has today, trade is number seven. Sadly, climate change is number eight, which kind of irritates me.

MR. MILLER: But that confirms itself in the policy menu, really.

MR. REINSCH: The big three – and which number is one changes – but the big three are terrorism, health care, and the economy generally. And I think probably this election you could probably make the case that health care was one, but in previous elections terrorism has often been number one. And then in 2010 it was, you know, and in ’08 it was the economy. So it varies. But trade is well down there.

For pollsters, that means it’s a low-intensity issue. And so what you’ve got is this odd disjunction or disjuncture between elected officials and their voters. Republican members of Congress are much more pro-trade than Republican voters right now. On the Democratic side it’s the reverse. Democratic congressmen are much less pro-trade than Democratic voters. But that can continue for quite some time because when people walk into the polling place to vote, they’re thinking about health care.

And so I don’t think that either party is going to suddenly catch up with its base on these issues, although you have seen the Republicans – and Scott alluded to this – you have seen the Republican members of Congress be unwilling to confront Trump on trade, even though they don’t agree with him, because their base is his base, and they don’t want to irritate the base, so.
MR. CAPORAL: Yes. And an interesting development is – I think one of you mentioned this earlier – is that a large number of Republicans on the Ways and Means Committee either defeated, retired, or took other office. And –

MR. MILLER: A total of nine, actually.

MR. CAPORAL: Nine. And I mean, that’s a sizable number on the panel. And usually those Republican members are pretty staunch advocates of free trade. And now you have nine – you know, whoever takes those seats might be more willing to, you know, adopt Trump’s trading ideology.

MR. REINSCH: Well, there won’t be nine new ones.

MR. CAPORAL: There won’t be nine new ones.

MR. REINSCH: Because the ratio’s going to shift.

MR. MILLER: The ratios change, but –

MR. CAPORAL: But you could see a shift in Republican thinking on the panel.

MR. MILLER: Oh, it will be a very different committee. We can say that for sure at this point.

MR. REINSCH: There will be a bunch of new Democrats. They lost a couple too through retirement. Sandy Levin, most notably. And I think one other one, I can’t remember who. Maybe two or three others. So there will probably be, oh, nine or so new Democrats added to the committee, and very few new Republicans. I don’t think they’ll have to kick anybody off, but –

MR. MILLER: Three or four but at the outside.

MR. REINSCH: But they usually maintain in the House, regardless of the ratio between the majority and minority as a whole, the parties have consistently over the years tried to maintain a larger majority on the key committees – Appropriations, Rules, Ways and Means, and I think Armed Services. I think the last – and the Ways and Means now I think is something like 26 to 17 or something like that Republican. And the Democrats will do the same thing. It won’t be – you know, it won’t be 52/48. It’ll be more than that.

MR. MILLER: Right. Rules is always the most lopsided. Rules is like nine to four or something like that. So always lopsided. But as Bill’s point, the A committees, the key committees do have larger representation from the majority.

MR. REINSCH: So there will be a bunch of new Democrats. And they’ll, by and large, not be freshmen. Usually you don’t – there’s a line to get into Ways and Means. It’s a popular committee.

MR. CAPORAL: And Ways and Means oversees trade, tax and health care.

MR. REINSCH: That’s why there’s a line, because it does all the fun stuff.

MR. CAPORAL: So, yes. Very important, yeah.
MR. REINSCH: So it’ll be – they’re usually – they usually put in a freshman or two because they want to show that they believe in diversity and equality, et cetera, et cetera, et cetera. And whoever was going to be the speaker needs support from the incoming class, which will be large. But for the most part, it’ll be more senior members. And we can have – do another one of these when they’ve been appointed and talk about what it looks like.

MR. CAPORAL: We can speculate a little bit thought. I think Richard Neal from Massachusetts, he was the ranking member in the current Congress and is likely to become the chair. I mean, first impressions of him on trade policy. Is he likely to be a warrior or is he more likely to take on a compromising stance?

MR. MILLER: Well, he’s mostly focused on tax through his career. He’s a very effective member. A bright, clear-thinking guy. He’s worked well across the aisle on a number of issues. He was a big supporter of the U.S.-Europe free trade agreement, that used to be called TTIP. So he is – he is – he has been a trade supporter in the past. He is definitely, you know, smart and experienced. And so I think he’ll be a good chairman.

MR. REINSCH: As I recall, people from the audience can correct me about this because we have people from Massachusetts, but he represents Springfield primarily, I think, and the surrounding area, which is a part of the state that in the past –

MR. CAPORAL: Yeah, we’re getting nods.

MR. REINSCH: Yeah, in the past has suffered a lot from the closing of textile mills and other, you know, industry in the state. But that was not last year. And parts of the state have come back in other areas – services and high tech. So I – and I think our experience with him has been that he is always willing to listen, and generally willing to work something out, to make a deal. I mean, he is an old-fashioned congressman in the sense that he wants to get something done. This is the kind of person we need more of in the body, I think, frankly, of either party.

(Music plays.)

MR. SCHWARTZ: To our listeners, if you have a question for The Trade Guys, write us at TradeGuys@CSIS.org. That’s TradeGuys@CSIS.org. We’ll read some of your emails and have The Trade Guys react to it. We’re now also streaming on Spotify, so you can find us there too. How cool!

Thank you, Trade Guys.

MR. MILLER: Thanks, Andrew.

MR. REINSCH: Thank you.

MR. SCHWARTZ: You’ve been listening to The Trade Guys, a CSIS podcast.

(END)